

CITY OF CHASE, KANSAS

DECEMBER 31, 2019



CITY OF CHASE, KANSAS

TABLE OF CONTENTS
December 31, 2019

INDEPENDENT AUDITORS' REPORT.....	1-2
FINANCIAL STATEMENT	
Summary Statement of Receipts, Expenditures, and Unencumbered Cash - Regulatory Basis.....	3-4
NOTES TO THE FINANCIAL STATEMENT.....	5-11
SCHEDULE 1	
Summary of Expenditures - Regulatory Basis (Actual and Budget).....	12
SCHEDULE 2	
Schedule of Receipts and Expenditures - Regulatory Basis (Actual and Budget)	
General Fund.....	13-14
Special Highway Fund.....	15
Special Parks Fund.....	16
Local Sales Tax Fund.....	17
Grant Fund.....	18
Bond and Interest Fund.....	19
Water Fund.....	20
Schedule of Receipts and Expenditures - Regulatory Basis (Actual)	
Special Purpose Funds - Nonbudgeted.....	21
Business Funds - Nonbudgeted.....	22
REPORT AND SCHEDULE REQUIRED BY GAO	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards.....	23-24
Schedule of Findings and Responses.....	25-26

INDEPENDENT AUDITORS' REPORT

The Mayor and City Council
City of Chase, Kansas

We have audited the accompanying regulatory basis summary statement of receipts, expenditures, and unencumbered cash of City of Chase, Kansas (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the regulatory basis reporting provisions permitted in the Kansas Municipal Audit and Accounting Guide (KMAAG), as described in Note 1, to meet the financial reporting requirements of the State of Kansas. This includes determining the regulatory basis of accounting is an acceptable basis for preparing the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and KMAAG. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions permitted in KMAAG, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2019, or changes in net position or cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City, as of December 31, 2019, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions permitted in KMAAG, described in Note 1.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of receipts, expenditures, and unencumbered cash – regulatory basis (basic financial statement) as a whole. The summary of expenditures – regulatory basis - actual and budget and the individual fund schedules of receipts and expenditures – regulatory basis - actual and budget (Schedules 1 and 2, as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement; however, they are required to be presented under the provisions of KMAAG. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.



Certified Public Accountants

Hutchinson, Kansas
October 22, 2020

CITY OF CHASE, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -
REGULATORY BASIS
For Year Ended December 31, 2019

Page 1 of 2

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General	\$ 2,150	\$ 302,208	\$ 293,535	\$ 10,823	\$ 6,594	\$ 17,417
Special Purpose						
Special Highway	1,124	12,049	11,508	1,665	-	1,665
Special Parks	7,123	-	-	7,123	-	7,123
Local Sales Tax	84,149	18,011	-	102,160	-	102,160
Grant	-	-	-	-	-	-
Capital Improvements	6,647	-	-	6,647	-	6,647
Police Seizure	2,015	-	-	2,015	-	2,015
Bond and Interest						
Bond and Interest	4,141	4,095	-	8,236	-	8,236
Business						
Water	94,775	72,724	133,668	33,831	8,382	42,213
Water Bond P&I	9,420	40,469	40,471	9,418	-	9,418
TOTAL REPORTING ENTITY	\$ 211,544	\$ 449,556	\$ 479,182	\$ 181,918	\$ 14,976	\$ 196,894

The notes to the financial statement are an integral part of this financial statement.

CITY OF CHASE, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -
REGULATORY BASIS
For Year Ended December 31, 2019

Page 2 of 2

COMPOSITION OF CASH

Petty cash	\$	35
First Bank		
Checking accounts		125,067
Savings accounts		1,792
Certificates of deposit		<u>70,000</u>
TOTAL REPORTING ENTITY	\$	<u>196,894</u>

The notes to the financial statement are an integral part of this financial statement.

CITY OF CHASE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

City of Chase, Kansas (the City) is a municipal corporation governed by an elected Mayor and City Council. There are no related municipal entities of the City.

Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Kansas Municipal Audit and Accounting Guide Regulatory Basis of Presentation Fund Definitions

The following types of funds comprise the financial activities of the City for the year of 2019:

General Fund – to account for all unrestricted resources except those required to be accounted for in another fund.

Special Purpose Funds – to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are intended for specified purposes.

Bond and Interest Funds – to account for the accumulation of resources for, and the payment of, interest and principal on long-term debt.

Business Funds – to account for operations that are financed in whole or in part by fees charged to users of the goods and services.

Regulatory Basis of Accounting and Departures from Accounting Principles Generally Accepted in the United States of America

The regulatory basis of accounting provisions in the Kansas Municipal Audit and Accounting Guide (KMAAG) involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and reporting the changes in unencumbered cash and investments of a fund resulting from the regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities, or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles, and allowing the City to use the regulatory basis of accounting.

Interest Income

Unless otherwise designated, all investment income is credited to the General Fund.

Cash and Investments

Cash includes amounts in demand, time deposits, and certificates of deposit at financial institutions.

Investments may consist of types authorized by K.S.A. 12-1675, which includes U.S. government securities, repurchase agreements, the Municipal Investment Pool, and others.

Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reimbursed Expenses

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

Vacation, Sick Leave, and Other Compensated Absences

Vacation leave is earned based on years of service and no carryover from year to year is allowed. Sick leave is earned monthly with a maximum carryover of 60 days. Sick leave cannot be cashed out.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1 of each year.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5 of each year.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds, and certain special purpose funds. Spending in funds which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Taxes levied to finance the budget become a lien against all property November 1. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20 and May 10. These taxes are made available to the City after January 1 and are distributed by the County Treasurer generally in the months of January and June. Delinquent tax collections are distributed throughout the year.

NOTE 2— STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures of the Water Fund exceeded the adopted budget by \$38,894, a violation of K.S.A. 79-2935, the budget law.

Management was not aware of any other material statutory violations.

NOTE 3—DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is used by all funds. Each fund's portion of this pool is displayed on the summary statement of receipts, expenditures, and unencumbered cash. The cash balances of certain funds are restricted as to their use.

K.S.A. 9-1401 established the depositories, which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by FDIC insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2019.

Deposits

At December 31, 2019, the carrying amount of the City's deposits, including certificates of deposit was \$196,859. The bank balance was \$196,586. The bank balance was held by one bank resulting in a concentration of credit risk. The bank balance was covered by FDIC insurance.

NOTE 4—LONG-TERM DEBT

Terms for long-term debt for the City outstanding for the year ended December 31, 2019, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity
General Obligation Bonds				
Series 2009A	4.250%	06/18/09	\$ 701,000	06/18/49
Series 2009B	3.625%	06/18/09	78,000	06/18/49
Loans				
Chase Firefighters Relief Association	1.000%	04/15/04	30,000	04/15/29
Capital Leases				
Assembly pumps	2.900%	08/07/19	15,153	10/10/20

Changes in long-term debt for the City for the year ended December 31, 2019, were as follows:

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds					
Series 2009A	\$ 626,647	\$ -	\$ 10,114	\$ 616,533	\$ 26,633
Series 2009B	68,659	-	1,235	67,424	2,489
Loans					
Chase Firefighters Relief Association	14,216	-	1,214	13,002	142
Capital Leases					
Assembly Pumps	-	15,153	-	15,153	-
	<u>\$ 709,522</u>	<u>\$ 15,153</u>	<u>\$ 12,563</u>	<u>\$ 712,112</u>	<u>\$ 29,264</u>

Current maturities of long-term debt and interest for the next five years and in five-year increments through maturity are as follows:

	Principal			Interest			Total Principal and Interest
	General Obligation Bonds	Capital Lease	Firemen's Relief Loans	General Obligation Bonds	Capital Lease	Firemen's Relief Loans	
2020	\$ 11,822	\$ 15,153	\$ 1,226	\$ 28,647	\$ 360	\$ 130	\$ 57,338
2021	12,315	-	1,238	28,154	-	118	41,825
2022	12,831	-	1,251	27,638	-	105	41,825
2023	13,368	-	1,263	27,101	-	93	41,825
2024	13,927	-	1,275	26,542	-	80	41,824
2025-2029	78,879	-	6,749	123,466	-	207	209,301
2030-2034	96,828	-	-	105,517	-	-	202,345
2035-2039	118,871	-	-	83,474	-	-	202,345
2040-2044	145,943	-	-	56,402	-	-	202,345
2045-2049	179,173	-	-	23,152	-	-	202,325
	<u>\$ 683,957</u>	<u>\$ 15,153</u>	<u>\$ 13,002</u>	<u>\$ 530,093</u>	<u>\$ 360</u>	<u>\$ 733</u>	<u>\$ 1,243,298</u>

NOTE 5—DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in the Comprehensive Annual Financial Report, which can be found on KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas Avenue, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009; KPERS 2 members were first employed in a covered position on or after July 1, 2009; and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law establishes the KPERS member-employee contribution rate at 6.00% of covered salary for KPERS 1, KPERS 2, or KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

Kansas law provides that employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined annually based on the results of an annual actuarial valuation. Kansas Law sets a limit on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (excluding the contribution rate for the Death and Disability program) and the statutory contribution rate for KPERS was 8.89% for the year ended December 31, 2019. Contributions for the pension plan from the City for KPERS was \$7,877 for the year ended December 31, 2019.

Net Pension Liability

At December 31, 2019, KPERS has determined the City's proportionate share of the collective net pension liability for KPERS was \$66,808. The net pension liability was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The City's share of the allocation is based on the ratio of the City's employer contributions, relative to the total employer and nonemployer contributions for the plan groups the City participates in. Because the regulatory basis of accounting under KMAAG does not recognize long-term debt, this liability is not reported in the financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the website at www.kpers.org or can be obtained as described in the first paragraph above.

NOTE 6—INTERFUND TRANSFERS

Operating transfers for the year ended December 31, 2019, consisted of the following:

<u>From Fund</u>	<u>To Fund</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water	Water Bond P&I	City ordinance	\$ 40,469
Water	General	K.S.A. 12-825d	20,000

NOTE 7—OTHER LONG-TERM LIABILITIES

Other Post-Employment Benefits – Death and Disability Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate was set at 1% for the year ended December 31, 2019.

NOTE 8—RISK MANAGEMENT

The City is subject to certain risks such as torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from third parties. There have been no significant reductions in insurance coverage from the prior year and there have been no settled claims in excess of insurance coverage for the prior three years.

NOTE 9—COMMITMENTS

Storm Shelter

On August 1, 2016, the City Council agreed to reimburse the local school district \$30,000 for construction of a storm shelter. The City's reimbursement is to be made by crediting the school's monthly utility bill for water use. During 2019, the City applied credits of \$5,028 to the local school district, reducing the City's commitment to \$12,510 at December 31, 2019.

Neighborhood Revitalization Program

The City participates in a neighborhood revitalization program as allowed by K.S.A. 12-17,114 et seq. Under the program, participants are provided a rebate of ad valorem taxes paid based on the increase in assessed valuation attributable to improvements made by the taxpayer after being approved for participation in the neighborhood revitalization program. For the year ended December 31, 2019, the City's share of tax rebates totaled \$26,283.

NOTE 10—SUBSEQUENT EVENT

On January 22, 2020, the City issued \$655,000 Series 2020 Refunding General Obligation Bonds to refund the Series 2009A and 2009B General Obligation Bonds and reduce future debt service costs.

CITY OF CHASE, KANSAS

SUMMARY OF EXPENDITURES - REGULATORY BASIS (ACTUAL AND BUDGET)
 (BUDGETED FUNDS ONLY)
 For Year Ended December 31, 2019

Schedule 1

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General	\$ 301,073	\$ -	\$ 301,073	\$ 293,535	\$ (7,538)
Special Purpose					
Special Highway	12,230	-	12,230	11,508	(722)
Special Parks	-	-	-	-	-
Local Sales Tax	25,000	-	25,000	-	(25,000)
Grant	327,500	-	327,500	-	(327,500)
Bond and Interest					
Bond and Interest	3,722	-	3,722	-	(3,722)
Business					
Water	94,774	-	94,774	133,668	38,894

CITY OF CHASE, KANSAS

GENERAL FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2019

Schedule 2
 Page 1 of 10

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Taxes			
Ad valorem property tax	\$ 121,153	\$ 134,219	\$ (13,066)
Delinquent tax	3,357	-	3,357
Motor vehicle tax	29,956	30,105	(149)
Recreational vehicle tax	745	1,065	(320)
Commercial vehicle registration fee	1,151	1,984	(833)
16/20M vehicle tax	172	222	(50)
Watercraft tax	-	289	(289)
Special assessments	1,424	-	1,424
Sales tax	47,081	35,000	12,081
Neighborhood revitalization rebate	(26,283)	(28,386)	2,103
Total taxes	<u>178,756</u>	<u>174,498</u>	<u>4,258</u>
Licenses, fees, and permits			
Utility franchise tax	19,808	20,000	(192)
Miscellaneous permits and licenses	1,682	750	932
Total licenses, fees, and permits	<u>21,490</u>	<u>20,750</u>	<u>740</u>
Charges for services			
Refuse	28,888	32,000	(3,112)
Sewer	20,328	30,560	(10,232)
Total charges for services	<u>49,216</u>	<u>62,560</u>	<u>(13,344)</u>
Fines, forfeitures, and penalties	5,439	-	5,439
Use of money and property			
Interest on idle funds	1,309	300	1,009
Other			
Reimbursed expense	4,786	-	4,786
Capital lease proceeds	15,153	-	15,153
Miscellaneous	6,059	11,950	(5,891)
Transfer from - Water Fund	20,000	-	20,000
Total other	<u>45,998</u>	<u>11,950</u>	<u>34,048</u>
TOTAL RECEIPTS	<u>302,208</u>	<u>\$ 270,058</u>	<u>\$ 32,150</u>

CITY OF CHASE, KANSAS

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)

For Year Ended December 31, 2019

Schedule 2
Page 2 of 10

	Actual	Budget	Variance Over (Under)
EXPENDITURES			
General government			
Personal services	\$ 79,962	\$ 92,000	\$ (12,038)
Contractual services	1,730	40,000	(38,270)
Commodities	131,876	80,000	51,876
Capital outlay	-	-	-
Miscellaneous	3,856	-	3,856
Total general government	217,424	212,000	5,424
Refuse			
Contractual services	26,836	32,000	(5,164)
Sewer			
Personal services	15,844	12,500	3,344
Commodities	14,379	7,500	6,879
Contractual services	-	-	-
Capital outlay	15,153	-	15,153
Miscellaneous	46	-	46
Total sewer	45,422	20,000	25,422
Police			
Commodities	152	1,000	(848)
Contractual services	636	1,000	(364)
Total police	788	2,000	(1,212)
Fire			
Commodities	1,709	1,000	709
Contractual services	-	1,000	(1,000)
Total fire	1,709	2,000	(291)
Lease and Firefighters Relief Association payments	1,356	1,356	-
Transfer to - Capital Improvements	-	31,717	(31,717)
TOTAL EXPENDITURES	293,535	\$ 301,073	\$ (7,538)
RECEIPTS OVER (UNDER) EXPENDITURES	8,673		
UNENCUMBERED CASH, BEGINNING	2,150		
UNENCUMBERED CASH, ENDING	\$ 10,823		

CITY OF CHASE, KANSAS

SPECIAL HIGHWAY FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2019

Schedule 2
Page 3 of 10

	Actual	Budget	Variance Over (Under)
RECEIPTS			
State payments	\$ 12,049	\$ 12,230	\$ (181)
EXPENDITURES			
Personal services	9,484	\$ -	\$ 9,484
Street repair and maintenance	2,024	12,230	(10,206)
TOTAL EXPENDITURES	11,508	\$ 12,230	\$ (722)
RECEIPTS OVER (UNDER) EXPENDITURES	541		
UNENCUMBERED CASH, BEGINNING	1,124		
UNENCUMBERED CASH, ENDING	\$ 1,665		

CITY OF CHASE, KANSAS

SPECIAL PARKS FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2019

Schedule 2
Page 4 of 10

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Local alcoholic liquor tax	\$ -	\$ -	\$ -
Donations	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL RECEIPTS	-	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
EXPENDITURES			
Park improvement	-	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
	<u>-</u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
RECEIPTS OVER (UNDER) EXPENDITURES	-		
UNENCUMBERED CASH, BEGINNING	<u>7,123</u>		
UNENCUMBERED CASH, ENDING	<u><u>\$ 7,123</u></u>		

CITY OF CHASE, KANSAS
 LOCAL SALES TAX FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2019

Schedule 2
Page 5 of 10

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
RECEIPTS			
Sales tax	\$ 18,011	<u>\$ 17,000</u>	<u>\$ 1,011</u>
EXPENDITURES			
Road improvements	<u>-</u>	<u>\$ 25,000</u>	<u>\$ (25,000)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	18,011		
UNENCUMBERED CASH, BEGINNING	<u>84,149</u>		
UNENCUMBERED CASH, ENDING	<u><u>\$ 102,160</u></u>		

CITY OF CHASE, KANSAS

GRANT FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2019

Schedule 2
 Page 6 of 10

	Actual	Budget	Variance Over (Under)
RECEIPTS			
CDBG	\$ -	\$ 300,000	\$ (300,000)
Other grants	-	25,000	(25,000)
Transfer from - General Fund	-	2,500	(2,500)
TOTAL RECEIPTS	-	<u>\$ 327,500</u>	<u>\$ (327,500)</u>
EXPENDITURES			
Grant expenditures	-	\$ 325,000	\$ (325,000)
Grant administration	-	2,500	(2,500)
TOTAL EXPENDITURES	-	<u>\$ 327,500</u>	<u>\$ (327,500)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	-		
UNENCUMBERED CASH, BEGINNING	-		
UNENCUMBERED CASH, ENDING	<u>\$ -</u>		

CITY OF CHASE, KANSAS

BOND AND INTEREST FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2019

Schedule 2
Page 7 of 10

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Ad valorem property tax	\$ (15)	\$ -	\$ (15)
Delinquent tax	389	-	389
Motor vehicle tax	3,472	3,332	140
Recreational vehicle tax	86	118	(32)
Commercial vehicle registration fee	133	220	(87)
16/20M vehicle tax	30	25	5
Watercraft tax	-	32	(32)
TOTAL RECEIPTS	4,095	<u>\$ 3,727</u>	<u>\$ 368</u>
EXPENDITURES			
Transfer to - Water Bond P&I Fund	-	<u>\$ 3,722</u>	<u>\$ (3,722)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	4,095		
UNENCUMBERED CASH, BEGINNING	<u>4,141</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 8,236</u>		

CITY OF CHASE, KANSAS

WATER FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL AND BUDGET)
 For Year Ended December 31, 2019

Schedule 2
 Page 8 of 10

	Actual	Budget	Variance Over (Under)
RECEIPTS			
Charges for service	\$ 65,064	\$ 70,000	\$ (4,936)
Miscellaneous	7,660	-	7,660
	<u>72,724</u>	<u>\$ 70,000</u>	<u>\$ 2,724</u>
TOTAL RECEIPTS			
EXPENDITURES			
Personal services	42,357	\$ 27,000	\$ 15,357
Contractual services	30	5,000	(4,970)
Commodities	30,452	26,000	4,452
Capital outlay	-	-	-
Miscellaneous	360	-	360
Transfer to:			
General Fund	20,000	-	20,000
Water Bond P&I Fund	40,469	36,774	3,695
	<u>133,668</u>	<u>\$ 94,774</u>	<u>\$ 38,894</u>
TOTAL EXPENDITURES			
RECEIPTS OVER (UNDER) EXPENDITURES	(60,944)		
UNENCUMBERED CASH, BEGINNING	<u>94,775</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 33,831</u>		

CITY OF CHASE, KANSAS

SPECIAL PURPOSE FUNDS - NONBUDGETED
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
 (ACTUAL)

For Year Ended December 31, 2019

Schedule 2
Page 9 of 10

	<u>Capital Improvements</u>	<u>Police Seizure</u>
RECEIPTS	\$ -	\$ -
EXPENDITURES	<u>-</u>	<u>-</u>
RECEIPTS OVER (UNDER) EXPENDITURES	-	-
UNENCUMBERED CASH, BEGINNING	<u>6,647</u>	<u>2,015</u>
UNENCUMBERED CASH, ENDING	<u><u>\$ 6,647</u></u>	<u><u>\$ 2,015</u></u>

CITY OF CHASE, KANSAS
BUSINESS FUNDS - NONBUDGETED
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL)
For Year Ended December 31, 2019

Schedule 2
Page 10 of 10

Water
Bond P&I

RECEIPTS
Transfers in

\$ 40,469

EXPENDITURES
Debt service

40,471

RECEIPTS OVER (UNDER) EXPENDITURES

(2)

UNENCUMBERED CASH, BEGINNING

9,420

UNENCUMBERED CASH, ENDING

\$ 9,418

Roger W. Field, CPA
Gregory D. Daughhetee, CPA
Kenneth D. Hamby, CPA
Michael R. Meisenheimer, CPA
Nick L. Mueiting, CPA
Billy J. Klug, CPA
Randall R. Holmeier, CPA
Brent L. Knoche, CPA
Brian W. Mapel, CPA
Jeffrey D. Reece, CPA
Brady H. Byrnes, CPA
Alex P. Larson, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENT PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

The Mayor and City Council
City of Chase, Kansas

We have audited in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide, the regulatory basis summary statement of receipts, expenditures, and unencumbered cash of City of Chase, Kansas (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statement, which collectively comprise the City's basic financial statement, and have issued our report thereon dated October 22, 2020, which was modified because the financial statement is prepared on the regulatory basis of accounting.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses, listed as item numbers 2019-1 and 2019-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests, disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Lindburg Vogel Pierce Faris".

Certified Public Accountants

Hutchinson, Kansas
October 22, 2020

CITY OF CHASE, KANSAS
SCHEDULE OF FINDINGS AND RESPONSES
For Year Ended December 31, 2019

Page 1

SUMMARY OF AUDIT RESULTS**Financial Statement**

Type of auditors' report issued	Unmodified (Regulatory basis)
Internal control over financial reporting Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Noncompliance material to financial statement noted?	No

FINDINGS – FINANCIAL STATEMENT AUDIT**MATERIAL WEAKNESSES**2019-1 Segregation of Duties

Condition: There is a lack of appropriate segregation of duties related to all accounting functions.

Criteria: The City is responsible for establishing and maintaining effective internal controls.

Cause: The City does not have adequate funds to achieve the proper segregation of duties.

Effect: Without the proper segregation of duties, the risk that the City's financial statement may be materially misstated increases and the City's responsibility to prevent and detect fraud may be at risk.

Recommendation: Current reviews in place need to continue to lessen the effect of the lack of segregation of duties.

Management's Response: The City does not have sufficient funds to adequately staff the office to achieve the proper segregation of duties. The City Council does review all expenditures prior to final disbursement and multiple signatures are required on all checks. In addition, the City Treasurer will perform reconciliations and review significant accounting functions to help alleviate the segregation of duty issues when possible.

CITY OF CHASE, KANSAS
SCHEDULE OF FINDINGS AND RESPONSES
For Year Ended December 31, 2019

Page 2

FINDINGS – FINANCIAL STATEMENT AUDIT**MATERIAL WEAKNESSES****2019-2 Internal Controls over Preparation of Financial Statements**

Condition: The City has no policies or procedures in place over internal controls related to preparation of their financial statement.

Criteria: The City is responsible for establishing and maintaining effective internal controls over preparation of their financial statement.

Effect: The lack of internal controls over preparation of financial statement places the City at a greater risk of not detecting or preventing material misstatements to its financial statement.

Cause: The City has not provided appropriate training or resources regarding internal controls over preparation of their financial statement.

Recommendation: To the extent possible, the City should establish controls over financial statement preparation.

Management's Response: The City agrees with this finding. The City understands the need for proper internal control over financial reporting. The City will consider additional training in financial statement preparation for personnel and acquiring a copy of the most recent Kansas Municipal Audit and Accounting Guide.